

General Assembly

Amendment

February Session, 2014

LCO No. 5602

SB0003505602SD0

Offered by:

SEN. LOONEY, 11th Dist. SEN. GERRATANA, 6th Dist. SEN. FASANO, 34th Dist.

To: Subst. Senate Bill No. 35

File No. 419

Cal. No. 286

"AN ACT CONCERNING NOTICE OF ACQUISITIONS, JOINT VENTURES AND AFFILIATIONS OF GROUP MEDICAL PRACTICES."

- 1 After the last section, add the following and renumber sections and
- 2 internal references accordingly:
- 3 "Sec. 501. Section 33-182aa of the general statutes is repealed and the
- 4 following is substituted in lieu thereof (*Effective from passage*):
- 5 As used in this chapter and section 504 of this act:
- 6 (1) "Affiliate" means any person that directly or indirectly through
- 7 one or more intermediaries, controls or is controlled by or is under
- 8 common control with another person. A person is deemed controlled
- 9 by another person if the other person, or one of that other person's
- 10 <u>affiliates, officers, agents or management employees, acts as a general</u>
- 11 partner or manager of the person in question.
- 12 (2) "Certificate of incorporation" means a certificate of incorporation,
- as defined in section 33-1002, or any predecessor statute thereto;

[(2)] (3) "Hospital" means [a nonstock corporation organized under chapter 602, or any predecessor statute thereto, or by special act and licensed as] a hospital <u>licensed</u> pursuant to chapter 368v;

- [(3)] (4) "Health system" means [a nonstock corporation organized under chapter 602, or any predecessor statute thereto,] a business entity consisting of a parent corporation of one or more hospitals licensed pursuant to chapter 368v, and affiliated through governance, membership or some other means;
- [(4)] (5) "Medical school" means a school of allopathic medicine leading to the M.D. degree, accredited by the Liaison Committee on Medical Education, and affiliated through governance with or part of a university that is either incorporated in this state or established pursuant to any provision of the general statutes and accredited by the New England Association of Schools and Colleges Commission on Institutions of Higher Education; and
- [(5)] (6) "Provider" means a physician licensed under chapter 370, a chiropractor licensed under chapter 372, an optometrist licensed under chapter 380 or a podiatrist licensed under chapter 375.
- Sec. 502. Section 33-182bb of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):
- 34 (a) (1) Any hospital, health system or medical school may organize 35 and become a member of a medical foundation under the provisions of 36 chapter 602 for the purpose of practicing medicine and providing 37 health care services as a medical foundation through employees or 38 agents of such medical foundation who are [licensed pursuant to 39 section 20-9 and through other] providers. Providers who are 40 employees or agents of a medical foundation organized by a nonprofit 41 hospital or nonprofit health system shall be employed by and work 42 primarily for such nonprofit hospital or nonprofit health system. 43 Providers who are employees or agents of a medical foundation 44 organized by a for-profit hospital or for-profit health system shall be

employed by and work primarily for such for-profit hospital or forprofit health system. Such medical foundation shall be governed by a board of directors, which shall consist of an equal or greater number of providers than nonprovider employees of the members, in addition to such other directors as may be elected by the members. The authority to appoint or elect board members shall not be granted to any person or entity that is not a member of the medical foundation.

- (2) Notwithstanding the provisions of this subsection, (A) no employee or representative of a for-profit hospital, for-profit health system, for-profit medical school or any entity that owns or controls a for-profit hospital, for-profit health system or for-profit medical school may serve on the board of directors of a medical foundation organized by a nonprofit hospital, nonprofit health system or nonprofit medical school; (B) no employee or representative of a nonprofit hospital, nonprofit health system, nonprofit medical school or any entity that owns or controls a nonprofit hospital, nonprofit health system or nonprofit medical school may serve on the board of directors of a medical foundation organized by a for-profit hospital, for-profit health system or for-profit medical school; and (C) no person shall serve on the board of directors of a medical foundation organized by a for-profit hospital, for-profit health system or for-profit medical school and, at the same time, serve on the board of directors of a medical foundation organized by a nonprofit hospital, nonprofit health system or nonprofit medical school.
- (b) Any medical foundation organized on or after July 1, 2009, shall file a copy of its certificate of incorporation and any amendments to its certificate of incorporation with the Office of Health Care Access division of the Department of Public Health not later than ten business days after the medical foundation files such certificate of incorporation or amendment with the Secretary of the State pursuant to chapter 602.
- (c) Any medical group clinic corporation formed under chapter 594 of the general statutes, revision of 1958, revised to 1995, which amends its certificate of incorporation pursuant to subsection (a) of section 33-

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182cc, shall file with the Office of Health Care Access division of the 78 79 Department of Public Health a copy of its certificate of incorporation 80 and any amendments to its certificate of incorporation, including any 81 amendment to its certificate of incorporation that complies with the 82 requirements of subsection (a) of section 33-182cc, not later than ten 83 business days after the medical foundation files its certificate of 84 incorporation or any amendments to its certificate of incorporation 85 with the Secretary of the State.

- (d) Any medical foundation, regardless of when organized, shall file notice with the Office of Health Care Access division of the Department of Public Health and the Secretary of the State of its liquidation, termination, dissolution or cessation of operations not later than ten business days after a vote by its board of directors or members to take such action. [Not later than ten business days after receiving a written request from the office, a] A medical foundation shall, annually, provide the office with a statement of its mission, [and] a description of the services it provides, [and] a description of any significant change in its services during the preceding year and other financial information as reported on the medical foundation's most recently filed Internal Revenue Service return of organization exempt from income tax form, or any replacement form adopted by the Internal Revenue Service, or, if such medical foundation is not required to file such from, a substantially similar form. The Office of Health Care Access shall make such forms available to members of the public and accessible on said office's Internet web site.
- 103 (e) A medical foundation shall not operate for profit and may operate at such locations as are designated by its members.
- (f) A hospital, health system or medical school may organize and be
 a member of no more than one medical foundation.
- Sec. 503. Section 33-182dd of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

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109 (a) No medical foundation organized under this chapter shall 110 engage in any business other than the rendering of health care services for which it was specifically incorporated, except that nothing in this 112 chapter or in any other provision of law applicable to corporations 113 shall be interpreted to prohibit such medical foundation from 114 investing its funds in real estate, mortgages, stocks, bonds or any other 115 type of investments, or from owning real or personal property incident 116 to the rendering of professional services.

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- (b) No medical foundation organized by a nonprofit hospital, nonprofit health system or nonprofit medical school may be affiliated with, partners with, a party to a joint venture with, or otherwise enter into a similar business relationship with (1) a medical foundation organized by a for-profit hospital, for-profit health system or for-profit medical school, (2) a for-profit hospital, (3) a for-profit health system, (4) a for-profit medical school, or (5) any entity that owns or controls a for-profit hospital, a for-profit health system or a for-profit medical school. Nothing in this subsection shall be construed as prohibiting affiliations or collaborations for the purposes of providing clinical services.
- Sec. 504. (NEW) (Effective from passage) A nonprofit hospital or nonprofit health system that enters into a partnership, joint venture or similar business enterprise with a for-profit hospital, for-profit health system or an entity that owns or controls or is affiliated with a forprofit hospital or a for-profit health system shall not possess more than a thirty-five per cent interest in such partnership, joint venture or business enterprise. Nothing in this subsection shall be construed as prohibiting affiliations or collaborations for the purposes of providing clinical services.
- Sec. 505. (NEW) (Effective October 1, 2014) Upon admitting a patient to a hospital, hospital personnel shall promptly ask the patient whether the patient desires for his or her physician to be notified of the hospital admission. If the patient so desires, hospital personnel shall make reasonable efforts to notify the physician designated by the

patient of the patient's hospital admission as soon as practicable, but 142

- 143 not later than twelve hours after the patient's request. For purposes of
- 144 this section, "hospital" shall have the same meaning as provided in
- 145 section 19a-490 of the general statutes; and "physician" means a person
- 146 licensed under the provisions of chapter 370 of the general statutes.
- 147 Sec. 506. Section 19a-638 of the 2014 supplement to the general
- 148 statutes is repealed and the following is substituted in lieu thereof
- 149 (*Effective July 1, 2014*):
- 150 (a) For purposes of this section:
- 151 (1) "Captive professional entity" means a professional corporation,
- limited liability company or other entity formed to render professional 152
- 153 services in which a beneficial owner is a physician employed by or
- 154 otherwise designated by a hospital or hospital system.
- 155 (2) "Hospital" means a hospital licensed by the Department of Public
- 156 Health under chapter 368v.
- (3) "Group practice" means eight or more physicians, legally 157
- organized in a partnership, professional corporation, limited liability 158
- 159 company formed to render professional services, medical foundation,
- 160 not-for-profit corporation, faculty practice plan or other similar entity
- (A) in which each physician who is a member of the group provides 161
- 162 substantially the full range of services that the physician routinely
- 163 provides, including, but not limited to, medical care, consultation,
- 164 diagnosis or treatment, through the joint use of shared office space,
- 165 facilities, equipment or personnel; (B) for which substantially all of the
- services of the physicians who are members of the group are provided 166
- through the group and are billed in the name of the group practice and 168 amounts so received are treated as receipts of the group; or (C) in
- 169 which the overhead expenses of, and the income from, the group are
- distributed in accordance with methods previously determined by 170
- 171 members of the group. An entity that otherwise meets the definition of
- 172 group practice under this section shall be considered a group practice

although its shareholders, partners or owners of the group practice

- 174 <u>include single-physician professional corporations, limited liability</u>
- 175 companies formed to render professional services or other entities in
- which beneficial owners are individual physicians.
- 177 (4) "Health system" has the same meaning as provided in section 33-
- 178 <u>182aa, as amended by this act.</u>
- 179 (5) "Hospital system" means: (A) A parent corporation of one or
- 180 more hospitals and any entity affiliated with such parent corporation
- through ownership, governance, membership or other means, or (B) a
- 182 <u>hospital and any entity affiliated with such hospital through</u>
- 183 <u>ownership</u>, governance, membership or other means.
- 184 (6) "Physician" has the same meaning as provided in section 20-13a.
- 185 (7) "Medical foundation" means a medical foundation formed under
- 186 <u>chapter 594b.</u>
- [(a)] (b) A certificate of need issued by the office shall be required
- 188 for:
- (1) The establishment of a new health care facility;
- 190 (2) A transfer of ownership of a health care facility;
- 191 (3) A transfer of ownership of a group practice to (A) a hospital, (B)
- 192 <u>a health system, (C) a hospital system, (D) a captive professional entity,</u>
- 193 (E) a medical foundation, or (F) any other entity that is owned by, or
- an affiliate of, a hospital, except a transfer of ownership when the
- 195 parties have entered into a memorandum of understanding concerning
- the transfer on or before July 1, 2014;
- [(3)] (4) The establishment of a freestanding emergency department;
- 198 [(4)] (5) The termination of inpatient or outpatient services offered
- 199 by a hospital, including, but not limited to, the termination by a short-
- 200 term acute care general hospital or children's hospital of inpatient and

- 201 outpatient mental health and substance abuse services;
- [(5)] (6) The establishment of an outpatient surgical facility, as defined in section 19a-493b, or as established by a short-term acute care general hospital;
- [(6)] (7) The termination of surgical services by an outpatient surgical facility, as defined in section 19a-493b, or a facility that provides outpatient surgical services as part of the outpatient surgery department of a short-term acute care general hospital, provided termination of outpatient surgical services due to (A) insufficient patient volume, or (B) the termination of any subspecialty surgical service, shall not require certificate of need approval;
- [(7)] (8) The termination of an emergency department by a shortterm acute care general hospital;
- [(8)] (9) The establishment of cardiac services, including inpatient and outpatient cardiac catheterization, interventional cardiology and cardiovascular surgery;
- [(9)] (10) The acquisition of computed tomography scanners, magnetic resonance imaging scanners, positron emission tomography scanners or positron emission tomography-computed tomography scanners, by any person, physician, provider, short-term acute care general hospital or children's hospital, except as provided for in subdivision (22) of subsection [(b)] (c) of this section;
- [(10)] (11) The acquisition of nonhospital based linear accelerators;
- [(11)] (12) An increase in the licensed bed capacity of a health care facility;
- [(12)] (13) The acquisition of equipment utilizing technology that has not previously been utilized in the state;
- [(13)] (14) An increase of two or more operating rooms within any

229 three-year period, commencing on and after October 1, 2010, by an

- 230 outpatient surgical facility, as defined in section 19a-493b, or by a
- 231 short-term acute care general hospital; and
- [(14)] (15) The termination of inpatient or outpatient services offered
- 233 by a hospital or other facility or institution operated by the state that
- 234 provides services that are eligible for reimbursement under Title XVIII
- or XIX of the federal Social Security Act, 42 USC 301, as amended.
- [(b)] (c) A certificate of need shall not be required for:
- 237 (1) Health care facilities owned and operated by the federal
- 238 government;
- 239 (2) The establishment of offices by a licensed private practitioner,
- 240 whether for individual or group practice, except when a certificate of
- 241 need is required in accordance with the requirements of section 19a-
- 242 493b or subdivision [(9) or (10)] (3), (10) or (11) of subsection [(a)] (b) of
- 243 this section;
- 244 (3) A health care facility operated by a religious group that
- exclusively relies upon spiritual means through prayer for healing;
- 246 (4) Residential care homes, nursing homes and rest homes, as
- 247 defined in subsection (c) of section 19a-490;
- 248 (5) An assisted living services agency, as defined in section 19a-490;
- 249 (6) Home health agencies, as defined in section 19a-490;
- 250 (7) Hospice services, as described in section 19a-122b;
- 251 (8) Outpatient rehabilitation facilities;
- 252 (9) Outpatient chronic dialysis services;
- 253 (10) Transplant services;
- 254 (11) Free clinics, as defined in section 19a-630;

255 (12) School-based health centers, community health centers, as 256 defined in section 19a-490a, not-for-profit outpatient clinics licensed in 257 accordance with the provisions of chapter 368v and federally qualified 258 health centers;

- 259 (13) A program licensed or funded by the Department of Children 260 and Families, provided such program is not a psychiatric residential 261 treatment facility;
 - (14) Any nonprofit facility, institution or provider that has a contract with, or is certified or licensed to provide a service for, a state agency or department for a service that would otherwise require a certificate of need. The provisions of this subdivision shall not apply to a shortterm acute care general hospital or children's hospital, or a hospital or other facility or institution operated by the state that provides services that are eligible for reimbursement under Title XVIII or XIX of the federal Social Security Act, 42 USC 301, as amended;
- 270 (15) A health care facility operated by a nonprofit educational 271 institution exclusively for students, faculty and staff of such institution 272 and their dependents;
- 273 (16) An outpatient clinic or program operated exclusively by or 274 contracted to be operated exclusively by a municipality, municipal agency, municipal board of education or a health district, as described in section 19a-241;
- 277 (17) A residential facility for persons with intellectual disability 278 licensed pursuant to section 17a-227 and certified to participate in the 279 Title XIX Medicaid program as an intermediate care facility for 280 individuals with intellectual disabilities;
 - (18) Replacement of existing imaging equipment if such equipment was acquired through certificate of need approval or a certificate of need determination, provided a health care facility, provider, physician or person notifies the office of the date on which the equipment is replaced and the disposition of the replaced equipment;

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286 (19) Acquisition of cone-beam dental imaging equipment that is to 287 be used exclusively by a dentist licensed pursuant to chapter 379;

- 288 (20) The partial or total elimination of services provided by an 289 outpatient surgical facility, as defined in section 19a-493b, except as 290 provided in subdivision (6) of subsection [(a)] (b) of this section and section 19a-639e;
- 292 (21) The termination of services for which the Department of Public 293 Health has requested the facility to relinquish its license; or

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- (22) Acquisition of any equipment by any person that is to be used exclusively for scientific research that is not conducted on humans.
- 296 [(c)] (d) (1) Any person, health care facility or institution that is 297 unsure whether a certificate of need is required under this section, or 298 (2) any health care facility that proposes to relocate pursuant to section 299 19a-639c shall send a letter to the office that describes the project and 300 requests that the office make a determination as to whether a certificate 301 of need is required. In the case of a relocation of a health care facility, 302 the letter shall include information described in section 19a-639c. A 303 person, health care facility or institution making such request shall 304 provide the office with any information the office requests as part of its 305 determination process.
 - [(d)] (e) The Commissioner of Public Health may implement policies and procedures necessary to administer the provisions of this section while in the process of adopting such policies and procedures as regulation, provided the commissioner holds a public hearing prior to implementing the policies and procedures and prints notice of intent to adopt regulations in the Connecticut Law Journal not later than twenty days after the date of implementation. Policies and procedures implemented pursuant to this section shall be valid until the time final regulations are adopted. Final regulations shall be adopted by December 31, 2011.
- 316 Sec. 507. Section 19a-639 of the 2014 supplement to the general

statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2014*):

- (a) In any deliberations involving a certificate of need application filed pursuant to section 19a-638, <u>as amended by this act</u>, the office shall take into consideration and make written findings concerning each of the following guidelines and principles:
- 323 (1) Whether the proposed project is consistent with any applicable 324 policies and standards adopted in regulations by the Department of 325 Public Health;
- 326 (2) The relationship of the proposed project to the state-wide health 327 care facilities and services plan;
- 328 (3) Whether there is a clear public need for the health care facility or services proposed by the applicant;
- 330 (4) Whether the applicant has satisfactorily demonstrated how the 331 proposal will impact the financial strength of the health care system in 332 the state or that the proposal is financially feasible for the applicant;
 - (5) Whether the applicant has satisfactorily demonstrated how the proposal will improve quality, accessibility and cost effectiveness of health care delivery in the region, including, but not limited to, (A) provision of or any change in the access to services for Medicaid recipients and indigent persons, and (B) the impact upon the cost effectiveness of providing access to services provided under the Medicaid program;
- 340 (6) The applicant's past and proposed provision of health care 341 services to relevant patient populations and payer mix, including, but 342 not limited to, access to services by Medicaid recipients and indigent 343 persons;
- 344 (7) Whether the applicant has satisfactorily identified the population 345 to be served by the proposed project and satisfactorily demonstrated

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346 that the identified population has a need for the proposed services;

- 347 (8) The utilization of existing health care facilities and health care services in the service area of the applicant;
- 349 (9) Whether the applicant has satisfactorily demonstrated that the 350 proposed project shall not result in an unnecessary duplication of 351 existing or approved health care services or facilities; [and]
- 352 (10) Whether an applicant, who has failed to provide or reduced 353 access to services by Medicaid recipients or indigent persons, has 354 demonstrated good cause for doing so, which shall not be 355 demonstrated solely on the basis of differences in reimbursement rates 356 between Medicaid and other health care payers;
- 357 (11) Whether the applicant has satisfactorily demonstrated that the 358 proposal will not negatively impact the diversity of health care 359 providers and patient choice in the geographic region; and
- 360 (12) Whether the applicant has satisfactorily demonstrated that any consolidation of market share resulting from the proposal will not adversely affect health care costs.
- (b) In deliberations as described in subsection (a) of this section, there shall be a presumption that a certificate of need is not required for a transfer of ownership of a group practice, as described in subdivision (3) of subsection (b) of section 19a-638, as amended by this act, when an offer was made in response to a request for proposal or similar voluntary offer for sale.
- [(b)] (c) The office, as it deems necessary, may revise or supplement the guidelines and principles through regulation prescribed in subsection (a) of this section.
- Sec. 508. Section 19a-639a of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2014*):

(a) An application for a certificate of need shall be filed with the office in accordance with the provisions of this section and any regulations adopted by the Department of Public Health. The application shall address the guidelines and principles set forth in (1) subsection (a) of section 19a-639, as amended by this act, and (2) regulations adopted by the department. The applicant shall include with the application a nonrefundable application fee of five hundred dollars.

- (b) Prior to the filing of a certificate of need application, the applicant shall publish notice that an application is to be submitted to the office in a newspaper having a substantial circulation in the area where the project is to be located. Such notice shall (1) be published (A) not later than twenty days prior to the date of filing of the certificate of need application, and (B) for not less than three consecutive days, and (2) contain a brief description of the nature of the project and the street address where the project is to be located. An applicant shall file the certificate of need application with the office not later than ninety days after publishing notice of the application in accordance with the provisions of this subsection. The office shall not accept the applicant's certificate of need application for filing unless the application is accompanied by the application fee prescribed in subsection (a) of this section and proof of compliance with the publication requirements prescribed in this subsection.
- (c) Not later than five business days after receipt of a properly filed certificate of need application, the office shall publish notice of the application on its web site. Not later than thirty days after the date of filing of the application, the office may request such additional information as the office determines necessary to complete the application. The applicant shall, not later than sixty days after the date of the office's request, submit the requested information to the office. If an applicant fails to submit the requested information to the office within the sixty-day period, the office shall consider the application to have been withdrawn.

(d) Upon determining that an application is complete, the office shall provide notice of this determination to the applicant and to the public in accordance with regulations adopted by the department. In addition, the office shall post such notice on its web site. The date on which the office posts such notice on its web site shall begin the review period. Except as provided in this subsection, (1) the review period for a completed application shall be ninety days from the date on which the office posts such notice on its web site; and (2) the office shall issue a decision on a completed application prior to the expiration of the ninety-day review period. The review period for a completed application that involves a transfer of a group practice, as described in subdivision (3) of subsection (b) of section 19a-638, as amended by this act, when the offer was made in response to a request for proposal or similar voluntary offer for sale shall be sixty days from the date on which the office posts notice on its web site. Upon request or for good cause shown, the office may extend the review period for a period of time not to exceed sixty days. If the review period is extended, the office shall issue a decision on the completed application prior to the expiration of the extended review period. If the office holds a public hearing concerning a completed application in accordance with subsection (e) or (f) of this section, the office shall issue a decision on the completed application not later than sixty days after the date the office closes the public hearing record.

(e) [The] Except as provided in this subsection, the office shall hold a public hearing on a properly filed and completed certificate of need application if three or more individuals or an individual representing an entity with five or more people submits a request, in writing, that a public hearing be held on the application. For a properly filed and completed certificate of need application involving a transfer of ownership of a group practice, as described in subdivision (3) of subsection (b) of section 19a-638, as amended by this act, when an offer was made in response to a request for proposal or similar voluntary offer for sale, a public hearing shall be held if twenty-five or more individuals or an individual representing twenty-five or more people

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submits a request, in writing, that a public hearing be held on the application. Any request for a public hearing shall be made to the office not later than thirty days after the date the office determines the application to be complete.

- (f) The office may hold a public hearing with respect to any certificate of need application submitted under this chapter. The office shall provide not less than two weeks' advance notice to the applicant, in writing, and to the public by publication in a newspaper having a substantial circulation in the area served by the health care facility or provider. In conducting its activities under this chapter, the office may hold hearing on applications of a similar nature at the same time.
- (g) The Commissioner of Public Health may implement policies and procedures necessary to administer the provisions of this section while in the process of adopting such policies and procedures as regulation, provided the commissioner holds a public hearing prior to implementing the policies and procedures and prints notice of intent to adopt regulations in the Connecticut Law Journal not later than twenty days after the date of implementation. Policies and procedures implemented pursuant to this section shall be valid until the time final regulations are adopted. Final regulations shall be adopted by December 31, 2011."

This act shall take effect as follows and shall amend the following sections:		
Sec. 501	from passage	33-182aa
Sec. 502	from passage	33-182bb
Sec. 503	from passage	33-182dd
Sec. 504	from passage	New section
Sec. 505	October 1, 2014	New section
Sec. 506	July 1, 2014	19a-638
Sec. 507	July 1, 2014	19a-639
Sec. 508	July 1, 2014	19a-639a